

MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT

DIVISION OF CREDIT UNIONS

NEWSLETTER

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FIELD OF MEMBERSHIP QUESTIONS

Recently the Missouri Credit Union System submitted several fields of membership questions to the Division of Credit Unions. Our responses are as follows:

In general, credit unions should focus on the actual working of Article 4 of their bylaws for guidance when considering field of membership questions.

Question:

If a community based credit union serves companies within a zip code, can they serve employees whose paychecks come from the zip code but the employees work elsewhere?

Response:

No, unless the employee group was listed in the field of membership being served prior to August 28, 1998.

Question:

If a credit union is community chartered and serves companies (not official SEG's as listed in the bylaws) who are located in the community, can they continue to serve the company if it moves to a location outside of the geographic area the credit union serves? For example ABC Credit Union serves zip code 63146. Mastercard, Inc. is located in that zip code so the credit union serves their employees. Mastercard moves to a larger facility in 63366, which is not served by ABCCU. Can the credit union continue to recruit new members from Mastercard?

Response:

No.

Question:

Can a community chartered credit union who serves companies (not official SEG's as listed in the bylaws) serve employees of a company who work at locations outside of the credit unions geographic area? For example, ABC Credit Union serves zip code 63146. Mastercard, Inc. is located in that zip code so the credit union serves their employees. Mastercard also has locations in Springfield and Kansas City. Can ABCCU serve only the members in 63146 or can they serve all Mastercard employees?

Response:

Only the employees in zip code 63146.

Question:

If a credit union elected to become a community charter after the 1998 law change, can they accept as members students who attend the high school in the community FOM?

Response:

If the students live or work within the area, they may be members.

Question:

What if the school district was a SEG prior to the law change and the bylaws state that you may serve employees, immediate family members, students and organizations?

Response:

The credit union may continue to serve the school district *if* listed as an employee group in the credit union bylaws prior to August 28, 1998.

Question:

If an SEG is grandfathered and the company changes names, can the credit union continue to serve the SEG? Is a bylaw change required or will a letter to the Division noting the change suffice?

Response:

The credit union can continue to serve the SEG. For clarity the Division of Credit Unions is notified of the change of name.

Question:

If a company that is an SEG is sold, can the credit union continue to serve them? As an example, Boatmen's Bank is a credit union's SEG. Boatmen's is sold to Bank of America. Can the credit union still serve the locations that were previously Boatmen's, even though the company no longer exists?

Response:

The credit union can continue to serve the employees being served at the time the company is sold. The credit union cannot serve new employees. With the sale of the company, the company ceases to exist so only those who are members prior to date of sale can be served.

Question:

Can the credit union immediately begin to serve the purchasing company and its subsidiaries or is a FOM expansion required?

Response:

No. A field of membership expansion approval and Article 4 bylaw approval is required to serve the purchasing company and its subsidiaries not served prior to the merger/sale.

Question:

If two companies merge and the remaining company is an existing SEG, can the credit union automatically serve the additional members?

Response :

Yes. For clarity the credit union should notify the Division of Credit Unions of the merger.

Question:

Is a merger between two credit unions considered a field of membership expansion under the new law? Does the remaining credit union need to provide the same documentation required for a FOM expansion?

Response :

No. Through the Articles of Merger, the surviving credit union incorporates the merging credit union's field of membership.

Question:

If an SEG based credit union has grandfathered bylaws with non-standard changes that allow for the board to vote for group expansions instead of the membership, is that language grandfathered also or do all expansion now require a membership vote?

Response :

If the membership of a SEG based credit union has previously voted to allow the board of directors to approve SEG group expansions; a membership vote is not required to add additional SEGs. The credit union must comply with RSMo 370.081, 4 CSR 105-3.020 and 4 CSR 105-3.040. The first time the credit union seeks to add a SEG, the board of directors must select a common occupation, association or employer as the "group" (RSMo 370.080(2)(1)) which shall be binding on all future expansions (RSMo 370.081(4)).

INVESTMENTS

Most credit unions are currently faced with excess liquidity and the decision of where to invest these funds. The purpose of this article is to remind credit unions they can not be too careful with whom they invest and where the investment is safe-kept.

Recent history shows that credit unions have lost principal when the broker has sold them something other than what the credit union intended to buy, the instruments were not safe-kept by a third party, or the credit union failed to perform even moderate due diligence and invested over an insured limit and the institution failed. Most recently the Bentley Financial Services group was ordered to stop doing business when it was discovered that several banks and credit unions thought they were buying insured certificates of deposit when in fact they were buying securities issued by the Bentley Group. Fortunately no Missouri credit unions were involved in this latest incident.

What can credit unions do to prevent being victimized by

unscrupulous parties? First only deal with known reputable dealers with which the credit union has some reasonable basis for trust. Sometimes credit unions invest with unknown parties solely because of a few basis point increase in yields.

Full scope due diligence means more than the prescribed documentation and routine checks. The credit union should also ask if the investment makes sense from the receiving institution's viewpoint. A recent example has a small West Virginia bank amassing large amounts of brokered funds. Investors should have asked why. Remember if anything does not look right or is unexplainable or just does not make sense avoid it. There are plenty of places to invest money. Of course never invest in anything if you do not understand how the instrument works or the associated risks.

Investments should be held by reputable third parties. These safekeeping entities should be totally independent of the selling agent. In so doing credit unions can be more assured the investment is where they think it is and under credit union control. This also may help ensure the instrument is what the credit union thought it should be.

If all else fails the last line of defense is diversification. Just as you do not lend all of your assets to one person in one gigantic mortgage loan a credit union should not put all investment dollars in one type of instrument and in one place. The extent of diversification is something each credit union must decide on its own but should include more than one party when ever possible and vary the type/issuer of investment.

CREDIT UNION SURVEY

For the second consecutive year we request your participation in a survey to assist the Division of Credit Unions determine our level of performance. 133 of 172 credit unions or 65% returned the survey last year. Our goal is to meet or exceed last year's return rate. The survey will be mailed to credit unions in mid-November. The completed survey is to be returned by January 1, 2002. To ensure anonymity the completed survey is to be returned to the address on the enclosed self-addressed envelope included with the survey.

CREDIT UNION MEETINGS

During January 2002 four meetings will be held to discuss the results of the credit union survey, provide an update on the Division's current and projected activities during calendar year 2002 and receive your input. The times, dates and locations of the meetings are listed below.

TIME AND DATE	LOCATION
Tuesday January 15, 2002 2 to 4 PM	St. Louis Wainright State Office Building 111 North Seventh Street Room 116 St. Louis, MO 63101
Wednesday January 16, 2002 2 to 4 PM	Jefferson City Harry S. Truman Building 301 West High Street Room 750 Jefferson City, MO 65101
Thursday January 17, 2002 2 to 4 PM	Kansas City Fletcher Daniel's State Office Building 615 East Thirteenth Street Room 502 Kansas City, MO 64016
Friday January 18, 2002 2 to 4 PM	Springfield Division of Workforce Development Career Center Dogwood Room C 1514 South Glenstone Glen Isle Shopping Center Springfield, MO 65804

FIELD OF MEMBERSHIP APPLICATION UPDATE

Springfield Telephone Employees Credit Union submitted an application to include those persons who reside or work in the 417 telephone Area Code and the 573 (bordered on the north by I-70) telephone Area Code. The Director approved the expansion of **Springfield Telephone Employees Credit Union** to those in the 417 Area Code, but not the 573 Area Code. The decision was published in the November 15, 2000 Missouri Register. On November 30, 2000 the Missouri Bankers Association (MBA) and Century Bank of the Ozarks (CBO) filed an appeal of the decision to the Credit Union Commission. The Commission heard the appeal on March 29, 2001. On May 24, 2001 the Commission upheld the decision of the Director. On August 16, 2001, the decision was released and the Director filed **Springfield Telephone Employees Credit Union's** amended bylaws with the Secretary of State. On September 14, 2001, the MBA and CBO filed a petition for administrative review in Cole County Circuit Court. On November 19, 2001, a hearing was held before Judge Tom Brown, Division 1, Circuit Court of Cole County. The motion to refer the case to another division of the court was granted. The case is now before Judge Byron Kinder, Division 2 Circuit Court of Cole County. A motion to dismiss the case for lack of standing will be heard on January 3, 2002 at 1:30 PM. To follow this case on the internet, please go to <http://casenet.osca.state.mo.us/casenet/>, the case

number is 01CV325296.

South Community Credit Union submitted an application for those who work or reside in Zip Codes 63109, 63111, 63116, 63123, 63125, 63128, 63129, and Crawford County, Franklin County, Gasconade County and Washington County. **Central Communications Credit Union** submitted an application for those persons who reside or work in the 816 telephone Area Code. The Director approved the applications submitted by **South Community and Central Communications Credit Unions**. These decisions were published in the November 15, 2000 Missouri Register. On November 30, 2000 the Missouri Bankers Association and two local banks located in each of the two applicants' field of membership expansion areas filed appeals of the decisions to the Credit Union Commission. The Commission received the record of appeals from all parties on May 24, 2001. On August 9, 2001 the Commission upheld the decisions of the Director. The written decisions have not been released.

Gateway Metro Credit Union submitted an application for those living or working in the Missouri counties of St. Louis, St. Charles and Jefferson. **Educational Employees Credit Union** submitted an application for those who live or work in St. Louis County, St. Charles County, Jefferson County, Cape Girardeau County and Franklin County. These applications were published in the December 15, 2000 Missouri Register. The Director approved the applications and his decisions were published in the February 15, 2001 Missouri Register. On March 1, 2001 the Missouri Bankers Association and two local banks located in each of the applicants' field of membership expansion areas filed appeals of the decisions to the Credit Union Commission. The Commission received the record of appeal of **Educational Employees Credit Union** on October 19, 2001 and established briefing schedules. No date has been established to hear the **Gateway Metro Credit Union** appeal.

Glass Workers Credit Union submitted an application for those persons living or working in Jefferson County and Ste. Genevieve County and family members and organizations of such persons. The application was published in the April 2, 2001 Missouri Register. The Director approved the application and the decision was published in the June 15, 2001 Missouri Register. An appeal of the Director's decision was received on June 29, 2001. On August 30, 2001 Glassworkers amended the application to Zip Codes 63057, 63628, 63049, 63051 and 63023 rendering the appeal moot. The application was published in the October 1, 2001 Missouri Register. The Director approved the application and the decision was published in the November 15, 2001 Missouri Register. The decision is now final.

City Utilities Credit Union submitted an application for

community residents and workers in Greene and Christian Counties. The application was published in the June 1, 2001 Missouri Register. The Director approved the application and the decision was published in the August 1, 2001 Missouri Register. On August 14, 2001 the Missouri Bankers Association and a local bank located within the applicant's field of membership expansion area filed an appeal of the decision to the Credit Union Commission. The Commission will schedule a date to hear the appeal.

Kansas City Police Credit Union submitted an application for individuals eligible to belong to The Missouri Peace Officers Association, employees of the Missouri Peace Officers Association, individuals who work for agencies eligible to belong to the Missouri Police Chiefs associations, individuals who work for agencies eligible to belong to the Metropolitan Chiefs and Sheriffs Association, employees of the Metropolitan Chiefs and Sheriffs Association, and immediate members of families of such individuals and employees and pensioners and organizations and associations of all of the aforementioned. The application was published in the September 17, 2001 Missouri Register. The Director approved the application and the decision was published in the November 1, 2001 Missouri Register. The decision is now final.

Mid-County Family Credit Union submitted an application to serve St. Blaise Catholic Church parishioners and their families. The application was published in the October 1, 2001 Missouri Register. The Director approved the application and the decision was published in the November 15, 2001 Missouri Register. The decision is now final.

Missouri Family Credit Union submitted an application for people who live or work in Zip Codes 64125, 64050 and 64051. The application was published in the October 15, 2001 Missouri Register. The Director approved the application and the decision will be published in the December 3, 2001 Missouri Register. A fifteen day calendar period for appeal of the decision must occur before the decision is final.

St. Louis Community Credit Union submitted an application for individuals who live or work in Zip Codes 6311, 63118, 63119, 63143, and 63144. **Electro Savings Credit Union** submitted an application for individuals who reside or work in St. Louis City, St. Louis County, St. Charles County and Jefferson County. **St. Louis Telephone Employees' Credit Union** submitted an application for individuals who reside or work in St. Louis County, St. Charles County, Jefferson County and Franklin County. **Northwest Missouri Regional Credit Union** submitted an application for any persons who reside or work in Nodaway County. These four applications will be published in the December 3, 2001 Missouri Register. A ten business

day comment period must occur before a decision can be made.

FROM THE DIRECTOR

The economy:

How fast change occurs or change is constant certainly describes today's economic conditions. Last fall credit unions were scrambling for shares with which to make loans. Today the situation is much different with excess shares and low loan demand. Economists tell us we are in a recession that began in March of this year. Since recessions historically last eleven to fifteen months, a turnaround may have already begun to occur. We face a large unknown today in how consumption and investment in our economy will evolve in the next few years. Will consumers further cut their spending in response to terrorist threats? Will they continue to reduce their demand for housing and depress the price of housing, thereby magnifying the downward effect on the economy? Will consumers continue to reduce travel and vacations or will patriotic feeling ultimately encourage consumer spending?

These are questions that cannot be easily answered by referring to patterns observed in previous recessions. What happens to the economy depends on our own individual decisions to get on with our lives and the economic stimulus package that *may be* provided by Congress. Time will tell!

Employees' value to credit unions:

Today most credit union CEOs acknowledge the collective knowledge, creativity and enthusiasm of their employees have taken on new importance. This "human capital" provides the mechanism for credit unions to successfully serve and retain its members. Successful CEOs encourage the credit union's "human capital" to increase in value by increasing employee skills through training or continuing education as well as empowering them with the authority and information to make decisions at the lowest level. Making decisions where the knowledge exists results in informed decisions and more actively engaged employees who are effective, satisfied, and most likewise remain employed with the credit union.

From the employees of the Division of Credit Unions, a healthful holiday season with family and friends and a prosperous and successful 2002. We look forward to working with you through what changes occur during next year.

John P. Smith, Director